
Analysis of Antecedent and Consequence of Employee Engagement in Small and Medium-Sized Enterprises in Central Java, Indonesia

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Abstract:

Nowadays, employee is considered essential in an organization. The active role of the employee should be concerned by practitioners and academicians. This study aimed to investigate the antecedent and consequent variables of employee engagement.

Distributive justice, absorptive capacity, and job design were believed as the antecedent factors influencing work engagement. Meanwhile, organizational citizenship behavior was believed as the consequent or output factor of employee engagement. The respondents were 134 employees of SMEs in Central Java, Indonesia.

The results showed that distributive justice and absorptive capacity influenced employee engagement, whereas job design had no significant influence on employee engagement.

Moreover, employee engagement had an effect on organizational citizenship behavior.

Keywords: *distributive justice, absorptive capacity, job design, employee engagement, organizational citizenship behavior.*

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1. Introduction

Employee engagement is a new concerned topic nowadays (Macey and Schneider, 2008). The term of employee engagement is firstly called as personal engagement by Kahn (1990) on his article titled “Psychological Conditions of Personal Engagement and Disengagement at Work”. Kahn (1990) defines personal engagement as a job or expression of individuals in favoring the job generating the relation between the job, other individuals, or themselves (physical, cognitive, and emotional) and active performance (sincerity). Furthermore, Harter, Schmidt, and Hayes (2012 in Shuck and Wollard (2010) start to popularize employee engagement among practitioners. Harter *et al.* (2002) is the first to introduce employee engagement as an involvement and satisfaction of the employees showed by enthusiastic attitude in working.

Several studies reveal that employee engagement has a positive effect on the organization. Maslach *et al.* (2001) characterize engagement as an energy, involvement, and efficacy, contrasting with cynicism, exhaustion, and inefficacy. Several studies also find that high employee engagement significantly decreases the employee intention to resign (Saks, 2006; Maslach *et al.*, 2001). Moreover, engagement is associated with high benefit, revenue, and growth (Xanthopoulou *et al.*, 2009). Unfortunately, the popularity of employee engagement is less supported by empirical studies (Saks, 2006; Robinson *et al.*, 2004; Meutia *et al.*, 2017).

Considering the insufficient literature of antecedent and consequent factors of employee engagement, this study aims to enrich the literature. Generally, this study proposes three antecedent factors, including distributive justice, absorptive capacity, and job design. Justice has been confirmed as one of the antecedents of employee engagement (Saks, 2006; Alvi and Abbasi, 2012; Koodamara, 2016). Distributive justice is selected since it represents the accumulated results of the process received by the employee in the workplace. In addition, Grant and Parker (2009) state that job design proposed by Hackman and Oldham (1976) is incomplete since it only views job characteristics. Therefore, in this study, absorptive capacity is functioned as knowledge characteristic expected to complete the antecedent model of employee engagement. Another issue investigated in this study is the consequence of employee engagement. Previous studies state that employee engagement has a positive effect on individual or organizational level. However, there is inadequate literature examining the influence of employee engagement on the behavior outside the formal job description of the employee.

2. Literature Review and Hypotheses

2.1 Distributive Justice and Employee Engagement

Distributive justice is a perception related to the sense of perceived justice from the acquired outcome or reward (Rhoades *et al.*, 2001). In other words, distributive justice occurs when an individual assumes that the acquired right is consistent with

the imposed responsibility. In the context of employment, as the employee assumes that the acquired outcome is consistent with the imposed responsibility, the employee engagement is increased (Saks, 2006). In line with the social exchange theory (Blau, 1964), the responsibility emerged from the interaction between particular parties will create a reciprocal relationship. The relationship evolves to be a commitment, trust, and loyalty throughout the interactions, the parties comply the exchange principles (Cropanzano and Mitchell, 2005). This means that the employee senses the justice of the reward or appreciation from the imposed responsibility to be exchanged with the positive behavior on high engagement (Topcu *et al.*, 2015).

Empirical studies have revealed the existence of positive influence of distributive justice on employees (Gupta and Kumar, 2012; Ram and Prabhakar, 2011). Ram and Prabhakar (2011) conduct a research on the hospitality industry in Yordania showing that distributive justice influences employee engagement. Moreover, Gupta and Kumar (2012) report that distributive justice has a strong effect on employee engagement in the context of business in India (Sultanova and Chechina, 2016).

H1: Distributive justice has a positive effect on employee engagement.

2.2 Absorptive Capacity and Employee Engagement

Absorptive capacity is an ability to identify, assimilate, and utilize new knowledge or external information for the ultimate goal of commercialization (Cohen and Levinthal, 1990). Zahra and George (2002) define absorptive capacity as a set of organizational routines or processes, in which the companies obtain, assimilate, transform, and utilize knowledge to generate dynamic organizational capability.

Although the majority of the previous studies place absorptive capacity in an organizational level (Andrawina *et al.*, 2008; Tsai, 2001) this study positions absorptive capacity in an individual level since absorptive capacity depends on the members of the organization (Cohen and Levinthal, 1990). In other words, the absorptive capacity of an organization is an accumulation of the absorptive capacity of its members. Therefore, absorptive capacity in this study is defined as the ability of the employees to identify new knowledge and external information, then assimilates and utilizes them for commercial goals. Based on the definition, it is concluded that absorptive capacity is closely related to how employees initiate and innovate in acquiring new knowledge from external parties to acquire the ultimate goals (Escribano *et al.*, 2009). Absorptive capacity allows employees to have a high engagement. The higher the absorptive capacity of employees, the higher the employee engagement in company activities.

H2: Absorptive capacity has an effect on employee engagement.

2.3 Job Design and Employee Engagement

Job design is related to how works, duties, and roles are structured, applied, and modified to generate outcomes for an individual, group, or organization (Grant and Parker, 2009). Job design has an effect on proactive behavior of employees (Grant, 2007). The behavior is shown by the high employee engagement. Grant (2007) states that job design and social role is inseparable. This condition increases motivation, satisfaction, comfort, and productivity. In addition, Hackman and Oldham (1976) argue that the studies related to job design assume that the leaders/organizations are responsible for structuring the imposed job for employees. Therefore, the stronger the employee perception of a social support from the leader/organization in terms of a pleasant job design will encourage employees to have proactive behavior.

The statements above are supported by social exchange theory (Blau, 1964) stating that when the leader/organization provides a positive stimulus (job design), the employees are likely to respond with positive attitude. The responsibility to exchange the advantages is performed by being actively engaged in activities beneficial for social environment. Hence, job design is indicated to have an effect on employee engagement.

H3: Job design has an effect on employee engagement.

2.4 Employee Engagement and Organizational Citizenship Behavior

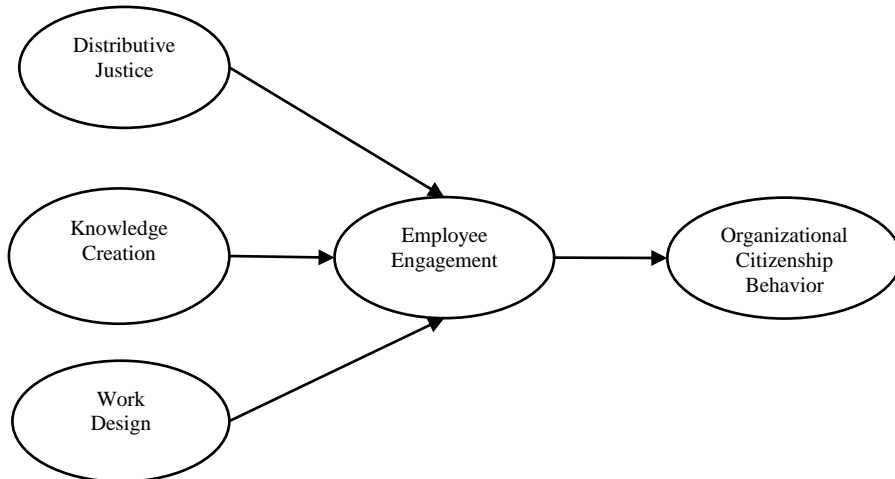
Bakker *et al.* (2008) describes employee engagement in three-factor model, including vigor, dedication, and absorption. Vigor (.....) is related to the positive influence of employees characterized by high positive energy, mental tenacity in work, and willingness to invest time and effort in job assignment. Dedication is related to the condition in which employees sense their job to obtain meaningfulness. Absorption refers to the cognitive aspect in which employees find that their job is pleasant, full of concentration, and embedded.

Previous researchers have reported that there is a strong relationship between employee engagement and organizational citizenship behavior (Rurkkhum and Bartlett, 2012). Perrin (2003) in Kataria, Garg, and Rastogi (2013) states that employees with employee engagement carry a voluntary effort to work in extra time, and to maximize the owned knowledge and energy. In addition, Dicke (2010) argues that employees with employee engagement are likely to take initiative individually affecting the extra role (extra-mile). In accordance with the argumentations above, it is indicated that employee engagement encourages employees to work voluntarily without expecting formal appreciation. In addition, Ahmed *et al.* (2012) finds that one of organizational citizenship behavior antecedents is employee engagement. Based on the argumentations above, it is concluded that employee engagement encourages organizational citizenship behavior.

H4: Employee engagement has an effect on organizational citizenship behavior.

Therefore, the research model use in this research is described in Figure 1 below.

Figure 1. Research Model



3. Methodology

This study was a quantitative study aiming to examine the relationship between variables using hypothesis testing. The population of this study was SME employees located in Central Java, Indonesia. SMEs in Central Java were selected because the SMEs had been growing rapidly causing the focus of study on SMEs employees crucial. The sample was taken using non-profitability sampling focused on purposive sampling by determining criteria for a minimum of one year working period. The sample was 134 respondents, referring to the rules of thumb proposed by Hair *et al.* (2014) and meaning that 15:1 of the variable ratio was used in the study. In this study, there were five variables used, indicating that this study had met the required sample.

The validity of measurement instruments was tested using Pearson Product Moment (PPM) with reference to correlation value. The value was valid if r count value was higher than r table value (r count $>$ r table) at the significance of 0.05, whereas the value was not valid if the r count value was lower than the r table value. The reliability was tested by seeing Cronbach Alpha value. The Cronbach Alpha value $>$ 0.71 was assumed to have a good reliability (Hair *et al.*, 2010). Fit model was tested based on the assessment criteria on Chi-square and probability, CMIN/DF, GFI, AGFI, TLI, CFI, and RMSEA. The study testing was performed using AMOS program. Furthermore, the hypothesis testing was performed using path analysis because of its characteristic to test the causal relationship between two or more variables. The hypothesis was supported if the critical ratio value was higher than the standard error value ($C.R > S.E$) in probability $<$ 0.05. In contrast, the hypothesis was not supported if the critical ratio value was lower than the standard error value ($C.R < S.E$) in probability $<$ 0.05, or if the critical ratio value was higher than the

standard error value ($C.R > S.E$) in probability > 0.05 (Hair *et al.*, 2010). Generally, there were five variables examined in this study, including three antecedent variables, one consequence variable, and one focal variable. The focal/core variable was employee engagement. The antecedent variables were distributive justice, absorptive capacity, and job design. The consequence variable was organizational citizenship behavior.

Job design was measured using instrument development from Hackman and Oldham (1976) consisting of three questions related to job enlargement, job enhancement, and job rotation. The scale used was Likert scale, from 1 (strongly disagree) to 5 (agree). The development theory from Organ and Konovsky (1989) was used as the instrument to measure organizational citizenship behavior on employees by providing four questions, including compliance, helping behavior, altruism, and sportsmanship. The scale used was Likert scale, from 1 (strongly disagree) to 5 (agree).

4. Findings

From 155 respondents, only 134 questionnaires were qualified for analysis. Thus, the response rate was 86.45%. The respondents were SMEs employees located in Central Java, Indonesia.

Table 1. *Validity and Reliability Test Result*

Construct	Indicator	Validity	Cronbach Alpha
Distributive Justice (Niehoff and Moorman 1993)	Work Schedule Justice	0.000	0.927
	Reward Justice	0.000	
	Workload Justice	0.000	
	Skill Development Justice	0.000	
Job Design (Hackman and Oldham 1976)	Job Enlargement	0.000	
	Job Enhancement	0.000	
	Job Rotation	0.000	
Absorptive Capacity (Cohen and Levinthal 1990)	Assimilating	0.000	
	Transforming	0.000	
	Utilizing	0.000	
Employee Engagement (Kahn 1990)	Vigor	0.000	
	Dedication	0.000	
	Absorption	0.000	
Organizational Citizenship Behavior (Organ and Konovsky 1989)	Compliance	0.000	
	Helping Behavior	0.000	
	Altruism	0.000	
	Sportsmanship	0.000	

Based on the validity test (Table 1), all question indicators are reported to be significantly correlated to the variables with the provision that $r_{count} > r_{table}$ is

fulfilled. Therefore, 17 question items were valid and were able to be analyzed. Reliability was also reported to be excellent with the cronbach alpha value = 0.927.

Table 2. Goodness of Fit Model Result

Goodness of Fit Index	Expected Value	Result	Evaluation Model
X2 – Chi Square		118.224	
Probability	≥ 0.05	0.325	Good
GFI	≥ 0.90	0.904	Good
TLI	≥ 0.90	0.993	Good
CFI	≥ 0.90	0.994	Good
RMSEA	≤ 0.08	0.020	Good

In table 2, it is shown that the result value is higher than the expected value on a probability value ($0.325 > 0.05$), GFI ($0.904 > 0.90$), TLI ($0.993 > 0.90$), CFI ($0.994 > 0.90$). Meanwhile, RMSEA result value was lower than the expected value ($0.020 < 0.08$). Hence, the result value was consistent with the expected value. This meant that, generally, the models proposed in this study were accepted. The result of fit model testing is explained in Figure 2. Hypothesis testing was performed by path analysis to investigate the scale of direct influence of the independent variable and dependent variable. The scale and the significance of the variable influence were observed by regression weight. The hypothesis testing result is shown in Table 3.

Figure 2. Model Fit Testing Result

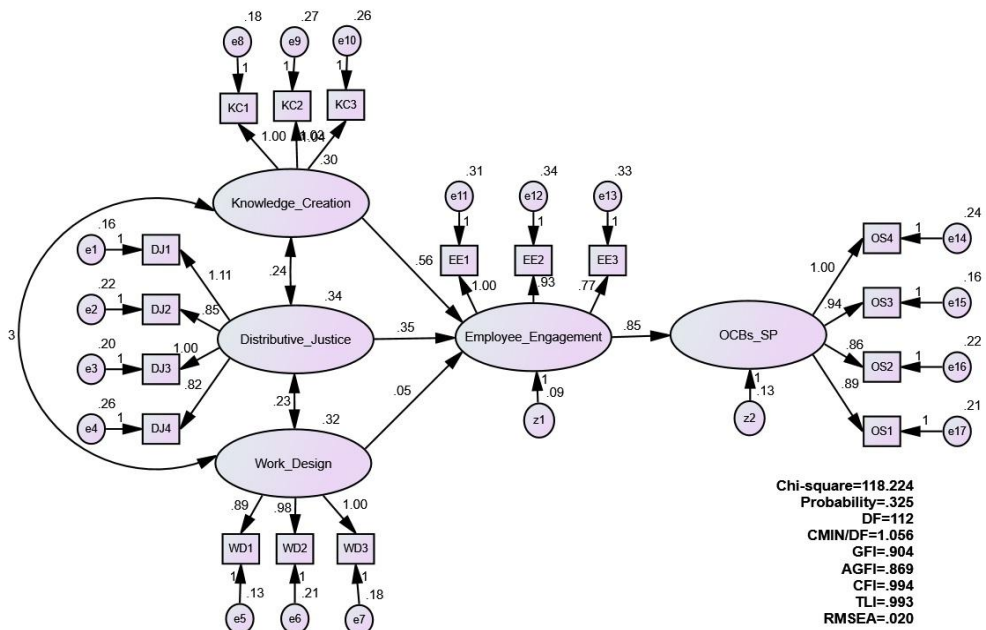


Table 3. Hypothesis Testing Result

Regression Weight	Estimation	S.E	C.R	P	Description
Distributive Justice → Employee Engagement	0.347	0.145	2.386	0.017	Significant
Absorptive Capacity → Employee Engagement	0.557	0.186	2.992	0.003	Significant
Job Design → Employee Engagement	0.050	0.142	0.355	0.723	Insignificant
Employee Engagement → Organizational Citizenship Behavior	0.855	0.124	6.874	0.000	Significant

4.1 Hypothesis Testing Result

According to Table 3, it is reported that distributive justice influence on employee engagement has S.E value (0.145) below the C.R value (2.386) with the probability of 0.017. The result showed that distributive justice had a significant effect on employee engagement. Therefore, hypothesis 1 was supported. Moreover, in absorptive capacity, it is shown that S.E. value (0.186) is lower than C.R. value (2.992) with the significant value of 0.03. The result showed that absorptive capacity had a significant effect on employee engagement. Thus, hypothesis 2 was supported.

Job design value on employee engagement indicates that S.E value (0.142) is lower than C.R value (0.035). Although the value was fulfilled, the significant value was not achieved ($0.723 > 0.050$). Hence, hypothesis 3 was not supported. Meanwhile, employee engagement value toward organizational citizenship behavior has a lower S.E value (0.124) than C.R value (6.784) on significance of 0.000. It showed that employee engagement had a significant effect on organizational citizenship behavior. Accordingly, hypothesis 4 was supported.

5. Discussion

Based on the test result, distributive justice had a significant effect on employee engagement. The higher the employee perception that the received rights were in accordance with the performed contribution, the higher the employee engagement in company activities. It confirmed the exact social exchange theory in explaining the influence of distributive justice on employee engagement. Moreover, this finding supported the empirical study of Alvi and Abbasi (2012) and Koodamara (2016). Absorptive capacity was also reported to have a significant effect on employee engagement. It meant that the higher the employee ability to absorb knowledge, value, or external information, the stronger the employee engagement.

On the contrary, job design had no significant effect on employee engagement. The argument formulated from the finding was that the less considered contextual influence job design influence on employee engagement. Grant and Parker (2009) stated that job design was related to the technological and social development in work environment. Hackman and Oldham (1980) also explained that the ability of the manager in planning the formal job design had an influential role for the effectiveness of individual, group, or organization. The insignificant influence of job design on employee engagement in SMEs might be caused by the less developed technology and social factor. Meanwhile, organizational citizenship behavior was significant as an employee engagement consequence. It indicated that the higher the employee engagement, the more the employees perform in extra role. Social exchange theory was also effective to explain the influence.

6. Conclusion

The findings suggest that the sense of justice (distributive justice) and knowledge description (absorptive capacity) play an important role in encouraging the employee engagement, particularly, in SMEs located in Central Java, Indonesia. Moreover, employee engagement is effective in developing the positive behavior of the employees showed by the organizational citizenship behavior. This study is expected to enrich the empirical evidence on employee engagement in which the literature on this topic is still limited. This finding is also expected to be a recommendation for practitioners in investigating the antecedent and consequent factors of employee engagement, and to be a reference material in increasing the employee engagement in the organization.

Future studies are expected to examine the antecedent and consequent factors in different organization to generalize the current findings. Furthermore, in this study, job design does not show a significant role in encouraging the employee engagement caused by the less considered situational factor. Therefore, future studies are expected to consider the context of organizational support, peer support, and leader as the moderator in job design influence on employee engagement.

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